# Lucrative market for smuggled cars

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Sen. Win Gatchalian has called for a Senate investigation into the recent spate of smuggling of luxury cars, lamenting that these result in considerable revenue loss for the government. Exactly a year ago, Gatchalian had filed Senate Resolution No. 954 to adopt corrective legislation to end fancy automobile smuggling. This was prompted by the alleged entry of two Bugatti Chiron sports cars, which were reportedly valued at P165 million each, without paying customs duties and taxes. At 50-percent excise tax, the government should have collected P165 million just from the two vehicles, he said.

Last month, three separate raids involving the sale of P2.67 billion worth of luxury cars were conducted by the Bureau of Customs (BOC). At a 50-percent excise tax, this could easily generate P1.34 billion for the government. The first raid on Feb. 13 in Pasay City and Parañaque City covered P1.4 billion worth of smuggled luxury vehicles. The second conducted the following day yielded P366 million. On Feb. 19, a third raid was conducted in Taguig City and resulted in the seizure of P900 million worth of contraband vehicles. These included, among others, a Rolls Royce Cullinan SUV believed to be worth at least P53 million, a McLaren 720s sports car with a street value of upwards of P16 million, and a Lamborghini Huracan worth a minimum P27 million. Their prices are enough to buy a modest house and lot in some middle-income gated subdivisions.

## Rigorous inspection

Noting that smuggling of high-end luxury cars remains prevalent, Gatchalian filed Senate Resolution No. 1318 last week. He said that smuggling has a significant impact on the economy, particularly the automotive industry. Under Section 149 of the National Internal Revenue Code, an ad valorem tax on automobiles is imposed based on the manufacturer or importer’s selling price, net of excise, and value-added tax. For instance, a vehicle with a net selling price of over P4 million shall be levied a 50-percent excise tax.

A key part of the problem that needs immediate attention is the presence of dishonest personnel in the BOC and the Land Transportation Office (LTO). If a smuggler ships in a luxury car, it has to go through rigorous inspection at the port of entry. Assuming the vehicle was able to slip past BOC scrutiny, it needs to be registered with the LTO to become legal on the street. The LTO requires additional documents in processing the registration, foremost of which is a proof of tax payment from the BOC. How then do these contraband high-end cars end up on the road with valid license plates on them?

## Symbol of economic status

No doubt, there is collusion. Fourteen years ago, the BOC sued a suspected car smuggler in Bukidnon and five of his alleged cohorts for bringing in 29 luxury cars and motorcycles without paying the customs duties and taxes. What was disturbing was what then Customs Commissioner Angelito Alvarez said: “The vehicles would not have been registered without the connivance of some corrupt officials in the LTO and Customs. It came as a really big surprise to us why in spite of the nonpayment of duties and taxes, the LTO was able to register this.” The BOC also noted that the vehicles were most likely withdrawn from Customs jurisdiction after being misdeclared as something else.

Another big part of the problem is the presence of a market for these vehicles. These high-end cars are a symbol of economic status and there are individuals who are predisposed to flaunting their wealth. But despite their apparent affluence, they patronize smuggled luxury cars to save on cost by evading the payment of the taxes due them. They should be made as guilty as the smugglers themselves.

## Lack of political will

But the biggest issue is the apparent lack of political will on the part of the government to prosecute big smuggling cases fully until the perpetrators truly end up in jail. Has the government actually put a big fish behind bars to deter other would-be criminals? One possible reason is that these scalawags are influential enough or have ties with prominent people in the government that they are so brazen in their crimes.

Unless the government shows it is serious in its campaign by jailing the perpetrators, importers, and even the shameless buyers, the smuggling of luxury cars will not go away. These unscrupulous individuals will go about their old crooked ways, charging the few BOC apprehensions as simply part of the risk of doing such illicit activities. The same goes for the crooked personnel at the BOC and the LTO. The government has to send them to prison.

As an aside, destroying all seized luxury cars—as was done in the previous administration—is a waste. For a government strapped for cash, it would be better to find a way to sell these vehicles to foreign buyers, thus avoiding the fear that the same smugglers would end up buying them if these were to be auctioned here. The government, as Gatchalian emphasized, indeed needs to review its approach in combating smuggling.